Melville Annual Report 1975

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Melville Shoe Corporation Annual Report 1975

Highlights

	1975	1974	Percent Change
Net Sales	**$908,321,071**	$765,059,121	+ **18.7**
Earnings before Federal Income Taxes and Minority Interests	**84,345,283**	49,053,995	+ **71.9**
Net Earnings	**44,326,764**	26,835,400	+ **65.2**
Dividends on Common Stock	**11,788,081**	11,364,080	+ **3.7**
Net Earnings Per Share of Common Stock	**1.79**	1.08	+ **65.7**
Dividends Per Share of Common Stock	**.480**	.463	+ **3.7**
Earnings before Federal Income Taxes and Minority Interests as a Percent of Net Sales	**9.29%**	6.41%	
Net Earnings as a Percent of Net Sales	**4.88%**	3.51%	
Net Earnings as a Percent of Shareholders' Equity	**25.57%**	16.96%	

Cash	**$ 88,489,890**	$ 30,842,202	**+186.9**
Inventories	**165,372,940**	155,304,106	+ **6.5**
Net Working Capital	**179,681,110**	146,708,293	+ **22.5**
Shareholders' Equity	**205,643,027**	173,368,485	+ **18.6**
Average Common Shares Outstanding	**24,561,660**	24,552,311	—
Number of Stores	**2,906**	2,766	+ **5.1**
Number of Employees	**27,649**	26,165	+ **5.7**

Number of Shareholders: approximately 19,500

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President's Report

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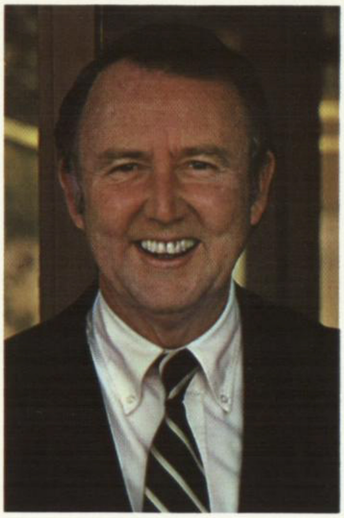

Sales and net earnings for the year 1975 reached record highs. Sales increased 18.7% to $908,321,071 compared to $765,059,121 for the year 1974. Net earnings, after minority interests, were $44,326,764, an increase of 65.2% over the $26,835,400 for 1974. Earnings per share were $1.79 as compared with $1.08 in 1974.

In January 1976 the dividend was increased to an annual rate of 68¢ compared to 48¢ for 1975, an increase of 41.7%.

The year for Melville and its subsidiaries started off very well with sales increasing 15.7% and earnings up 52.4% for the first six months ended June 30, 1975 compared to 1974. With the economy improving, a continuing control over inventories, and increased productivity, Melville enjoyed very strong third and fourth quarters.

Third quarter sales increased 19.2% and earnings gained 61.6% over the similar period in 1974. Melville continued its improvement into the fourth quarter registering a sales gain of 23.1% and an earnings increase of 77.4% in the quarter ended December 31, 1975.

The balance sheet as of December 31, 1975 shows a continued strong position with a current ratio of 2.87 to 1. The inventory was up 6.5% while sales increased 18.7%. Our long-term debt was reduced by the redemption of $4,200,000 of 4$\frac{7}{8}$% Debentures due 1980. The percentage of pre-tax profit to sales was 9.3% versus 6.4% last year. The return on shareholders' equity was 25.6% versus 17.0% last year.

Thom McAn, Meldisco, Foxmoor, CVS and Vanguard all recorded new highs in both their sales and earnings in 1975. The Miles division, although profitable in 1975, was below last year's level due to greater markdowns taken during 1975 which were required to maintain a current inventory position. Chess King, Metro Pants and the footwear manufacturing divisions showed a marked improvement in both sales and operating results for 1975. Melmark, the division supplying footwear to the Safeway Stores, continued its expansion.

By year-end, the Melco chain of 23 self-service discount roadside stores, was completely phased out. Ten of these locations were converted to Thom McAn, four to Foxmoor-Clothes Bin stores and one to Chess King. The remaining stores were subleased to others.

Continuing our expansion in the specialty store retailing business, Melville Shoe Corporation signed, on December 9, 1975, an agreement in principle to acquire Marshalls, Inc., a 32 store chain selling quality branded apparel for men, women and children, consisting of post-season, over-runs and close-outs at reduced prices. The agreement calls for a purchase price of $40,000,000 of which $11,600,000 will be payable at the closing, and the balance in five annual installments of $5,680,000 each with interest payable quarterly at the prime rate not to exceed 10%. It is anticipated that the final closing, effective February 1, 1976, will occur in April 1976.

We plan to open approximately 325 new stores and leased departments during 1976. In February 1976, an additional factory was started in Hot Springs, North Carolina to produce boys' footwear. In the Fall of 1976, Meldisco will complete construction of a new 260,000 square foot distribution facility in Huntington, Indiana, and CVS will expand its distribution center in Woonsocket, R.I. during 1976. In April 1975, Metro Pants division closed a factory in Amory, Miss. in order to consolidate its factory production.

In 1975, we welcomed two new members to our Board of Directors: Hyman L. Battle, Jr., partner in the law firm of Battle, Fowler, Lidstone, Jaffin, Pierce & Kheel, and Donald F. McCullough, Chairman of the Board of Collins & Aikman Corporation.

Kenneth K. Berland was elected Senior Vice President—Finance and Administration, and Edward J. Seward was elected Controller of the Corporation on January 15, 1976. Hans Homburger, Vice President of the Corporation, was appointed head of men's apparel, overseeing both Chess King and Metro Pants, and Edward Kaminow was elected President of Metro Pants.

With the economy projected to show continued growth during 1976, we expect the Corporation to achieve another record year in sales and earnings.

I would like to thank everyone in Melville for their efforts and the energy expended during 1975 to accomplish a job well done.

Francis C. Rooney Jr.

Francis C. Rooney, Jr.
President and Chief Executive Officer

February 19, 1976

Thom McAn

Thom McAn

Thom McAn, "the best-selling shoe in all America" concentrates on two main consumer groups—middle class suburban families and men and boys in the central city. The typical Thom McAn customer is under 45 years of age and represents a wide range of income groups, educational levels and vocational lines. Thom McAn footwear is in the popular price range, with men's shoes under $25 retail, women's under $20, and boys' and girls' under $15. Thom McAn's strong resurgence from recessionary conditions was considerably aided by increased advertising expenditures, including an intensive television campaign and special promotions. Best-selling items in an excellent year included Exersoles, Jox, Footgloves, and Cushion Leather dress shoes. Thom McAn store formats vary according to whether they are located in a covered mall, a strip center or a downtown neighborhood; but the standard family store is approximately 3,000 square feet in size, and a standard men's store approximately 1,400 square feet. Thom McAn opened 67 stores and closed 82 in 1975 for a net total of 1,032 at the end of the year.

Meldisco

Meldisco operates all self-service footwear departments in S. S. Kresge's K-Mart stores across the country, and continued a policy of providing the most competitive promotional footwear values in the U. S. Meldisco departments, which handle heavy traffic with their self-service format, provide the price-value conscious family with a wide choice of men's and boys' athletic footwear and outdoor boots, women's sport shoes, imported sandalized footwear and infants' and children's shoes and sneakers. Television and newspaper rotogravure sections were utilized in special price promotions that generated exceptionally high volume. Other operational highlights contributing to Meldisco's excellent year included a substantial reduction in inventories per store and a concerted effort to improve the consistency of product quality. A new Meldisco distribution center is under construction in Huntington, Indiana, to handle increased midwest shipments. During 1975 Meldisco opened departments in all 119 new K-Mart stores in the U. S. At the end of 1975 there were 835 departments in operation.

WORK SHOES
SATISFACTION ALWAYS

Miles

Women's footwear combining price-value with style is the merchandising specialty of the Miles division. Miles' target customers are budget and style conscious and range in age from 11 to 35 and older. Most styles are in the $12 to $15 range with promotional shoes selling around $10. Located primarily in the northeast corridor with a heavy concentration in New York and New Jersey, Miles' stores feature minimal but comfortable space, and simply stated decor. Best-selling styles during the year included negative heels and Gumbies, sensible dress shoes and shoes with the Brazilian look. Miles started the year slowly, but a broadening of the 15-25 year-old target age range and a return to price-value emphasis brought a definite turnaround. A substantial inventory reduction and intensified promotion also contributed to the recovery. During the year the division instituted a 40-store remodeling program, featuring improved lighting and merchandising capabilities. Miles opened 7 stores and closed 13 during the year for a total of 198 at the end of 1975.

Vanguard

Vanguard's primary market is the 18-29 year-old fashion-conscious male who wants quality footwear in keeping with his casual lifestyle. Vanguard footwear is in the $27 to $50 price range and emphasizes casual styles and quality. The concentration in this area as opposed to the basic dress shoe market helped Vanguard recover from the recession's negative impact on men's basic dress shoes, which impeded efforts to reduce inventories. Eventual inventory reduction, improved controls, as well as the new emphasis on quality leisure footwear helped Vanguard's good showing in 1975. Best-selling Vanguard styles included crepe-soled casuals, Frye boots, negative sole footwear, rugged casuals, slip-ons and oxfords with unique styling. There was a strong demand for Frye boots and for athletic footwear with distinctive patterns and outsole treatments. Vanguard stores, approximately 1,000 square feet in size, feature casual decor and natural props. Vanguard opened 2 stores and closed 4 during 1975 for a total of 45 at year-end.

VANGUARD
BALLY

CVS

Melville's specialty chain in the health and beauty aid field operates 250 stores, of which 64 include pharmacies, in New England, Middle Atlantic states and Michigan. Twenty pharmacies were added through new stores and conversions of older stores. In bringing new pharmacies to sales maturity more quickly, CVS promoted them through a senior citizens discount prescription program and an institutional radio campaign. CVS sells name-brand products at competitive prices on a self-service basis. It also broadened price-and-item promotions to include non-health and beauty aid convenience items. CVS added to its growing private label list as increased merchandising and advertising support helped sales rise at a far greater rate than the overall division rate. The size of the typical CVS store has been increasing to around 5,000 square feet to provide additional space for more broadly merchandised convenience departments such as candy, school supplies, and household products. During 1975, CVS opened 27 stores and closed 9 for a year-end total of 250.

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Unicap
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CVS
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COMPARE & SAVE

SALE

Foxmoor

Foxmoor's primary customers—15-24 year-old juniors, with the greatest number in the 18-21 year bracket—continued to spend for fresh fashion items despite the poor business conditions of 1974 and kept right on buying as things got better in 1975. Like Melville's other specialty merchandising divisions, Foxmoor concentrates on a specific segment of its market, directing all aspects of its operations—choice of merchandise, store design, and sales approach—toward filling the needs of a clearly defined customer. Foxmoor specializes in the merchandise most appealing to juniors such as the washed denim bottoms, jeans, shorts, and skirts which were best-sellers in 1975 as well as gauze and cotton knit tops and novelty sweaters. Long dresses sold well in 1975 as did suede and leather jackets. Foxmoor held its price points to meet competition and match its customers' pocketbooks, while maintaining quality through astute purchasing. The division also further refined the format of its approximately 2,500 square foot stores with their casual frontier decor designed to appeal to young customers. Foxmoor opened 38 stores and closed 2 during the year for a net at year-end of 294.

Chess King

Chess King, Melville's specialty merchandising division in the young men's apparel field, concentrates on the 17-to-25 year-old market. Best-selling items in 1975 included novelty-detailed washed denim jeans, jackets and shirts, and three-piece suits. In accomplishing its strong recovery from 1974, Chess King brought its inventories up to date, strengthened and expanded its merchandising structure, and tightened its controls and reporting systems. Buying and distribution procedures and field supervision were also substantially improved. Chess King stores, noted in the past for their novel design, feature subdued tones and such materials as barnwood, quarry tile and barn tone textured carpeting. The typical store format is approximately 2,400 square feet. During the year Chess King opened 16 stores and closed 2 for a net at year-end of 252.

Melville Footwear Manufacturing

Melville Footwear Manufacturing Division, which includes J. F. McElwain, Miller Shoe, Blue Ridge and plants in Puerto Rico and Spain, is one of the largest footwear manufacturing operations in the world. It supplies 38% of the footwear sold in Melville's retail divisions and in 1975 began supplying outside retailers through its Private Label Division. Making a good recovery from the effects of the recession, the Manufacturing Division increased output by 7% over 1974, operating with 16 factories compared with 17 in 1974 and maintaining overtime schedules to meet store needs as required. Production lines were converted to handle greatly increased demand for casual footwear. Materials were upgraded with the increased use of quality calfskin, leather lining and leather outsoles. Grading of new shoe patterns by computer was introduced in 1975, reducing time required for new style development and speeding delivery of new products. Quality control was also further strengthened. A plant purchased at Hot Springs, N. C. in December to manufacture boys' shoes began operations in February 1976.

Metro Pants

Metro Pants, Melville's men's and young men's apparel manufacturing operation, made a good comeback from its difficulties of 1974, as it increased sales and substantially improved inventory currency levels. The division, which produces apparel for Melville's Chess King chain as well as for outside customers, made important progress in broadening its sales to additional department and specialty stores while increasing sales to existing accounts. Sales staffs were expanded as a major part of this effort with a resultant improvement in customer contact and communication along with sales. New styles also helped as Metro concentrated on European styling, and broadened its categories to include such items related to its basic pants lines as casual jackets, blazers and shirts in limited quantities. Pre-laundered denim, available in a new jeans line, and a texturized and spun yarn in a gabardine weave for dress slacks were introduced during the year with good results. Progress was also made in improving quality control and manufacturing procedures as production reached record levels in response to increased demand.

Financial Review

Sales

Record consolidated net sales of $908,321,071 were achieved in 1975 as compared to $765,059,121 in 1974—an increase of $143,261,950 or 18.7%.

Earnings

Consolidated net earnings, after minority interests, set a record high in 1975 of $44,326,764, an increase of $17,491,364 or 65.2% over the $26,835,400 reported for 1974. Earnings per common share amounted to $1.79 as compared to $1.08 for the prior year.

Dividends

During 1975, the Company paid dividends of $.48 per share of common stock. In January 1976 the quarterly dividend was increased to $.17 per share or $.68 per share on an annual basis.

Net Working Capital

Net working capital increased to $179,681,110 as of December 31, 1975 as compared to $146,708,293 a year ago.

Property, Plant and Equipment

Capital additions were $15,972,999 for 1975 as compared to $18,070,993 in 1974. Depreciation charges for 1975 were $13,623,139 as against $12,555,637 in 1974.

Long-Term Debt

Long-term debt decreased to $30,212,576 as of December 31, 1975 primarily due to the redemption of $4,200,000 of 4⁷/₈% Debentures due 1980.

Sales by Division

	Sales (000's omitted)			Number of Stores		
	1975	1974	**Percent Change**	**1975**	1974	**Percent Change**
Footwear						
Thom McAn	$282,548	$242,501	+16.5	1,032	1,047	− 1.4
Meldisco	284,805	240,050	+18.6	835	717	+16.5
Miles	42,969	41,759	+ 2.9	198	204	− 2.9
Melco	1,669	6,188	−73.0	—	23	—
Vanguard	7,765	5,918	+31.2	45	47	− 4.3
McElwain*	1,803	1,382	+30.5	—	—	—
Spain*	2,485	2,051	+21.2	—	—	—
Melmark	2,698	573	—	—	—	—
Total Footwear	$626,742	$540,422	+16.0	2,110	2,038	+ 3.5
Percent of Total Sales	69.0	70.6				
Non-Footwear						
Health and Beauty Aids:						
CVS	$132,825	$114,806	+15.7	250	232	+ 7.8
Percent of Total Sales	14.6	15.0				
Apparel:						
Chess King	54,058	38,826	+39.2	252	238	+ 5.9
Foxmoor	77,726	55,248	+40.7	294	258	+14.0
Metro*	16,970	15,757	+ 7.7	—	—	—
	$148,754	$109,831	+35.4	546	496	+10.1
Percent of Total Sales	16.4	14.4				
Total Non-Footwear	$281,579	$224,637	+25.3	796	728	+ 9.3
Percent of Total Sales	31.0	29.4				
Total Melville Shoe Corporation	$908,321	$765,059	+18.7	2,906	2,766	+ 5.1

*Interdivisional sales of $100,205 in 1975 and $81,599 in 1974 (000's omitted) have been excluded.

Distribution of Sales Revenue

	1975	1974
Received from the sale of products	**$908,321,071**	$765,059,121
Paid for materials, merchandise and all expenses, exclusive of taxes and other amounts paid to or for the benefit of employees	**645,829,737**	561,991,716
Remainder	**262,491,334**	203,067,405
This was divided as follows:		
Wages and compensation	**153,005,483**	133,559,345
Taxes	**58,542,568**	39,277,065
Minority interests	**6,616,519**	3,395,595
Paid to shareholders or retained in the business	**44,326,764**	26,835,400

Store Expansion by Division

	1975			1976 (Estimated)		
	Open	Close	End	Open	Close	End
Thom McAn	67*	82	1,032	50	28	1,054
Meldisco	119	1	835	150	—	985
Miles	7	13	198	14	8	204
Melco	—	23*	—	—	—	—
Vanguard	2	4	45	6	1	50
CVS	27	9	250	35	8	277
Chess King	16*	2	252	20	—	272
Foxmoor	38*	2	294	50	—	344
TOTAL	276	136	2,906	325	45	3,186

*10 stores converted to Thom McAn, 4 to Foxmoor-Clothes Bin and 1 to Chess King.

Summary of Quarterly Results

(000's omitted)

	Net Sales		Percent Change	Net Earnings		Percent Change	Per Share of Common Stock: Dividends Paid		Per Share of Common Stock: Market Price	
	1975	1974		1975	1974		1975	1974	1975	1974
First Quarter	$174,217	$144,005	21.0	$ 3,196	$ 877	264.4	$.120	$.116	$6\frac{3}{8}$-$14\frac{3}{8}$	9 -$11\frac{7}{8}$
Second Quarter	229,257	204,720	12.0	9,399	7,385	27.3	.120	.116	$13\frac{1}{8}$-$17\frac{1}{4}$	6 -10
Third Quarter	232,601	195,154	19.2	12,477	7,720	61.6	.120	.116	$11\frac{7}{8}$-$17\frac{1}{8}$	$6\frac{3}{8}$- $9\frac{1}{2}$
Fourth Quarter	272,246	221,180	23.1	19,255	10,853	77.4	.120	.115	$15\frac{1}{2}$-$19\frac{3}{4}$	$4\frac{3}{4}$- $8\frac{3}{4}$
Total Year	$908,321	$765,059	18.7	$44,327	$26,835	65.2	$.480	$.463	$6\frac{3}{8}$-$19\frac{3}{4}$	$4\frac{3}{4}$-$11\frac{7}{8}$

Consolidated Statement of Earnings

Years ended December 31, 1975 and 1974	1975	1974
Net sales	**$908,321,071**	$765,059,121
Cost of goods sold, buying and warehousing costs	**525,471,215**	457,349,093
	382,849,856	307,710,028
Store operating, selling, general and administrative expenses	**283,800,054**	241,350,385
Depreciation and amortization	**13,623,139**	12,555,637
Interest charges	**1,868,804**	5,807,656
	299,291,997	259,713,678
	83,557,859	47,996,350
Other income—net	**787,424**	1,057,645
Earnings before Federal income taxes and minority interests	**84,345,283**	49,053,995
Provision for Federal income taxes (note 3)	**33,402,000**	18,823,000
	50,943,283	30,230,995
Minority interests in net earnings	**6,616,519**	3,395,595
Net earnings	**$ 44,326,764**	$ 26,835,400
Net earnings per share of common stock	**$ 1.79**	$ 1.08

Consolidated Statement of Shareholders' Equity

Years ended December 31, 1975 and 1974	Cumulative Preferred Stock Series B	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of December 31, 1973	$8,889,400	$24,552,311	$5,762,178	$119,841,162	$ (794,022)
Net earnings				26,835,400	
Purchase of Series B preferred shares for treasury (648 shares)					(45,302)
Dividends					
Series B preferred ($4.00 per share)				(308,562)	
Common ($.463 per share)				(11,364,080)	
Balance as of December 31, 1974	$8,889,400	$24,552,311	$5,762,178	$135,003,920	$ (839,324)
Net earnings				44,326,764	
Purchase of Series B preferred shares for treasury (4,506 shares)					(279,057)
Cancellation of Series B preferred shares in treasury (16,342 shares)	(1,634,200)		520,402		1,113,798
Dividends					
Series B preferred ($4.00 per share)				(290,184)	
Common ($.48 per share)				(11,788,081)	
Exercise of stock options		28,600	276,500		
Balance as of December 31, 1975	$7,255,200	$24,580,911	$6,559,080	$167,252,419	$ (4,583)

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

as of December 31, 1975 and 1974	1975	1974
Assets		
Current assets:		
Cash	**$ 88,489,890**	$ 30,842,202
Accounts receivable, less allowance for doubtful accounts ($856,664 in 1975 and $292,274 in 1974)	**18,370,423**	17,351,225
Inventories	**165,372,940**	155,304,106
Prepaid expenses	**3,506,631**	2,980,298
Total current assets	**275,739,884**	206,477,831
Property, plant, equipment and leasehold improvements, at cost (note 2):		
Land	**2,652,786**	2,698,978
Buildings	**12,967,019**	12,302,000
Machinery and equipment	**10,973,440**	10,828,952
Store and office fixtures, improvements to leased properties and miscellaneous equipment	**132,581,668**	124,038,335
	159,174,913	149,868,265
Less accumulated depreciation and amortization	**78,623,954**	69,804,234
Net property, plant, equipment and leasehold improvements	**80,550,959**	80,064,031
Deferred charges and other assets (note 2)	**3,538,591**	3,141,160
	$359,829,434	$289,683,022

See accompanying notes to consolidated financial statements.

	1975	1974
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**$ 76,175,630**	$ 56,676,263
Federal income taxes (note 3)	**19,310,368**	2,428,423
Current installments on long-term debt (note 4)	**572,776**	664,852
Total current liabilities	**96,058,774**	59,769,538
Long-term debt (note 4)	**30,212,576**	34,985,375
Deferred credit	**50,450**	180,450
Deferred credit on condemnation of property (note 2)	**6,620,000**	6,620,000
Deferred Federal income taxes (note 3)	**2,591,407**	2,880,647
Lease obligations for closed stores	**1,366,910**	546,281
Minority interests in subsidiaries (note 8)	**17,286,290**	11,332,246
Shareholders' Equity (notes 4 and 5):		
Cumulative Preferred stock, Series B, $4.00 dividend, par value $100, redeemable at par plus accrued dividends; authorized 175,902 shares; issued 72,552 in 1975 and 88,894 in 1974	**7,255,200**	8,889,400
Common stock, par value $1.00, authorized 30,000,000 shares; issued and outstanding 24,580,911 in 1975 and 24,552,311 in 1974	**24,580,911**	24,552,311
Capital surplus	**6,559,080**	5,762,178
	38,395,191	39,203,889
Retained earnings	**167,252,419**	135,003,920
	205,647,610	174,207,809
Less cost of preferred shares in treasury (79 shares in 1975 and 11,915 shares in 1974)	**4,583**	839,324
	205,643,027	173,368,485
Commitments and contingencies (note 7)		
	$359,829,434	$289,683,022

Consolidated Statement of Changes in Financial Position

Years ended December 31, 1975 and 1974	1975	1974
Source of Funds:		
Net earnings	**$44,326,764**	$26,835,400
Expenses not requiring outlay of working capital:		
Depreciation and amortization	**13,623,139**	12,555,637
Minority interests in net earnings	**6,616,519**	3,395,595
Increase (decrease) in deferred Federal income taxes	**(289,240)**	886,640
	19,950,418	16,837,872
Working capital provided from operations	**64,277,182**	43,673,272
Increase in long-term debt	**—**	600,000
Increase (decrease) in lease obligations for closed stores	**820,629**	(112,374)
Proceeds from sale of common stock under stock option plans	**305,100**	—
Dispositions of property, plant and equipment	**1,862,932**	2,035,771
	67,265,843	46,196,669
Application of Funds:		
Additions to property, plant and equipment	**15,972,999**	18,070,993
Increase (decrease) in deferred charges and other assets	**397,431**	(19,064)
Reduction in long-term debt	**4,772,799**	1,274,052
Dividends paid	**12,078,265**	11,672,642
Dividends paid to minority interests net of proceeds from sale of subsidiaries' capital stock	**662,475**	1,771,975
Purchase of preferred stock for treasury	**279,057**	45,302
Reduction of deferred credit	**130,000**	130,000
	34,293,026	32,945,900
Net increase in working capital	**$32,972,817**	$13,250,769
Net increase in working capital is comprised of:		
Increase (decrease) in current assets:		
Cash	**$57,647,688**	$15,799,727
Accounts receivable	**1,019,198**	309,862
Inventories	**10,068,834**	(17,813,848)
Prepaid expenses	**526,333**	(80,749)
	69,262,053	(1,785,008)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	**19,499,367**	(14,551,603)
Federal income taxes	**16,881,945**	(441,721)
Current installments on long-term debt	**(92,076)**	(42,453)
	36,289,236	(15,035,777)
	$32,972,817	$13,250,769

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Melville Shoe Corporation and its wholly-owned subsidiary companies, a 65% owned foreign manufacturing subsidiary (80% in 1974), certain 51%-75% owned retail subsidiaries (see Note 8), and an 85% owned foreign purchasing subsidiary (55% in 1974). The total assets and net earnings of the two foreign subsidiaries are insignificant in relation to the consolidated financial position and results of operations for 1975 and 1974. All intercompany items and transactions have been eliminated.

Inventories: Consolidated inventories are stated at the lower of cost or market. Inventories of the manufacturing operations are determined primarily on a first-in, first-out (FIFO) cost basis with 24.3% valued on a last-in, first-out (LIFO) cost basis. Inventories of the retail operations are determined primarily by the retail method with 5.9% valued on a LIFO basis. For the inventories valued at LIFO cost (8.6% of total consolidated inventories), current cost exceeded such LIFO cost at December 31, 1975, by $10,763,361 and at December 31, 1974, by $9,868,954.

Depreciation and Amortization: Depreciation and amortization of plant, equipment and leasehold improvements are provided for accounting purposes on a straight-line method over the estimated useful lives of the assets. It is the policy of the footwear manufacturing division to charge lasts, dies and patterns to expense in the year of their purchase.

Maintenance and Repairs: Maintenance and repairs are charged directly to expense as incurred. Major renewals or replacements are capitalized after making necessary adjustments in the asset and accumulated depreciation accounts for the items renewed or replaced.

Federal Income Taxes: The Company accounts for the investment tax credit under the flow-through method. Deferred Federal income taxes are provided to reflect the difference in timing of certain transactions for accounting and tax purposes. Such differences arise primarily from depreciation, lease obligations and expenses relative to closed stores, and proceeds and costs relative to the condemnation proceeding. The Company and its wholly-owned subsidiaries file a consolidated Federal income tax return.

Pension Plans: The Company and its subsidiaries have several pension plans covering substantially all employees. The costs of these plans, including the amortization of prior service costs over 30 years, are funded currently.

Earnings Per Share: Earnings per share are computed by dividing net earnings, after deducting preferred dividends, by the weighted average number of common shares outstanding during the year. The conversion of the Convertible Subordinated Debentures and exercise of the outstanding stock options would not result in dilution of earnings per share in 1975 and 1974.

Store Opening and Closing Costs: The Company follows the practice of charging new store opening costs to expense as incurred. In the event a store is closed before its lease has expired, the total lease obligation, if any, less sub-rental income, is provided for in the year of closing.

(2) PROPERTY, PLANT AND EQUIPMENT

Pursuant to an order of condemnation, a subsidiary of the Company was compelled to surrender possession of certain land and building on April 20, 1971. The subsidiary has recorded as a deferred credit, $6,620,000 in payments it received in 1972, toward the final award. Relocation and related expenses incurred by the Company have been deferred and will be applied to the proceeds of the final award. In July 1975, the pending litigation against the Dormitory Authority of the State of New York was decided by the Supreme Court of the State of New York and the Company was awarded an additional $6,948,539. The Dormitory Authority appealed the decision to the Appellate Division of the Supreme Court. Upon final determination of the appeal and the receipt of the additional award, the Company will account for the gain from the condemnation as a prior period adjustment and accordingly will restate prior years' financial statements.

(3) FEDERAL INCOME TAXES

Federal income tax expense of $33,402,000 in 1975 and $18,823,000 in 1974 produced effective tax rates of 39.6% and 38.4% respectively. The effective rate was less than the U.S. statutory income tax rate for the following reasons:

	% of Pre-tax Income	
	1975	1974
Consolidated Federal income tax .	39.6	38.4
51%-75% owned subsidiaries not includable in the consolidated Federal income tax return . . .	8.1	6.7
Other book/tax differences	0.3	2.9
U. S. statutory income tax	48.0	48.0

The provision for Federal income taxes includes deferred taxes of $(886,000) in 1975 and $1,048,000 in 1974, and has been reduced by investment tax credits of

$651,000 in 1975 and $522,000 in 1974. State and local taxes of $8,183,524 ($5,207,082 in 1974) are included in Store operating, selling, general and administrative expenses.

(4) LONG-TERM DEBT

Long-term debt at December 31, 1975 and 1974 consisted of the following:

	1975	1974
4⅞% Convertible Subordinated Debentures due June 1, 1996	$25,000,000	$25,000,000
4⅞% Debentures due 1980 . . .	—	4,200,000
6½% Promissory Note, payable in quarterly installments through 1984	1,214,000	1,333,000
6¼% Mortgage Notes, payable in monthly installments through 1989	1,256,773	1,320,243
6% Mortgage Notes, payable in semi-annual installments through 1992	825,000	850,000
5-6% Mortgage Notes, payable in semi-annual installments through 1983	640,000	720,000
8¾% Mortgage Notes, payable in monthly installments through 1989	564,026	584,359
Other mortgages and notes payable	1,285,553	1,642,625
	30,785,352	35,650,227
Less current installments	572,776	664,852
	$30,212,576	$34,985,375

The 4⅞% Convertible Subordinated Debentures are convertible at any time into 781,250 shares of the Company's common stock at the option of the holder up to June 1, 1996, at the price of $32 per share, subject to adjustment in certain events. The Debentures are redeemable at the option of the Company at 103.9% of the principal amount on or before May 31, 1976, and thereafter at declining amounts to par. The Indenture provides for the establishment of a sinking fund commencing in 1982, and contains provisions for certain restrictions as to payment of cash dividends and retirement of the Company's capital stock. At December 31, 1975, $29,599,156 of the consolidated retained earnings was so restricted.

On June 16, 1975, the Company redeemed the 4⅞% Debentures due 1980, at the applicable redemption price of 100.625% plus accrued interest to the date of redemption (see Note 8). The loss on the extinguishment of the Company's debt was included in other expense as the amount was not considered significant.

(5) STOCK OPTION PLANS

Stock Option Plan—1964: Under a qualified stock option plan adopted in 1964, options have been granted to key managerial employees, at fair market value on date of grant. The right to exercise such options commences one year from the date of the grant and expires five years after such date. At December 31, 1975, 466,490 shares of common stock were reserved under the plan, options for 267,500 shares were exercisable, and 13,490 shares were available for grant under the plan.

Information with respect to options granted under this plan is as follows:

	Number of Shares	Option Price Range per Share
Shares under option at December 31:		
1974	285,500	$ 6.88-$37.13
1975	453,000	6.88- 37.13
Shares which became exercisable during:		
1974	1,000	$31.63
1975	3,500	6.88- 8.13
Options exercised during:		
1974	—	—
1975	1,000	$ 6.88-$ 8.13

Stock Option Plan—1973: On April 10, 1973, the shareholders approved the adoption of a stock option plan which provided for the grant of options for a maximum of 300,000 shares of the Company's common stock to corporate officers and other key managerial employees of the Company. The stock options granted under such plan may be designated as either qualified or non-qualified. The right to exercise such options commences one year from the date of grant and expires 10 years after such date. At December 31, 1975, 272,400 shares of common stock were reserved under the plan, options for 248,100 shares were exercisable, and 5,800 shares were available for grant under the plan. During 1975 options were granted at fair market value on date of grant.

Information with respect to options granted under this plan is as follows:

	Number of Shares	Option Price Range per Share
Shares under option at December 31:		
1974	286,500	$ 9.50-$28.00
1975	266,600	7.13- 28.00
Shares which became exercisable during:		
1974	151,000	$22.25-$28.00
1975	134,000	9.50- 11.00
Options exercised during:		
1974	—	—
1975	27,600	$ 9.50-$11.00

(6) PENSION COSTS

Consolidated pension expense, including amortization of prior service costs, was $2,097,716 in 1975 and $1,779,419 in 1974. At December 31, 1975, the actuarially computed value of vested benefits exceeded the total of pension funds and amounts accrued by $15,142,411. Unfunded prior service costs aggregated approximately $16,127,440. In order to comply with the Employee Retirement Income Security Act of 1974, certain changes to the existing plans regarding vesting, participation and funding will be made. The anticipated cost of all pension plans is expected to increase $620,000 in 1976 as a result of these amendments.

(7) LEASE RENTALS AND COMMITMENTS

The Company and its subsidiaries lease various plant, warehouse, office and retail store facilities under lease agreements expiring between 1976 and 2003. For purposes of the following disclosure, the Company makes a distinction between "financing" and other lease arrangements. A "financing" lease is one which, during the non-cancellable lease period, either (1) covers 75 percent or more of the economic life of the property or (2) has terms which assure the lessor a full recovery of the fair market value of the property, plus a reasonable return on his investment.

Rental Expense: Rental expense for 1975 and 1974 is as follows:

	1975		1974	
	Financing	Non-Financing	Financing	Non-Financing
Basic Rentals .	$1,282,049	$37,626,626	$1,272,383	$32,618,266
Contingent Rentals	—	42,722,492	—	33,541,630
	1,282,049	80,349,118	1,272,383	66,159,896
Sub-Rentals ..	—	(959,586)	—	(843,320)
Net Rentals	$1,282,049	$79,389,532	$1,272,383	$65,316,576

Included in contingent rentals are rentals for leased shoe departments which are based on sales with additional rentals based on profits, if any. The remaining contingent rentals are based only on sales.

Minimum Rental Commitments: Minimum rental commitments under lease agreements at December 31, 1975, are as follows:

	Minimum Rentals		Minimum Sub-Rentals	
	Financing	Non-Financing	Financing	Non-Financing
1976	$1,240,994	$ 35,571,903	—	$ 861,574
1977	1,240,994	34,523,585	—	639,587
1978	1,240,994	32,426,041	—	534,025
1979	1,240,994	30,560,165	—	479,663
1980	1,240,994	28,481,692	—	414,326
1981-85	6,204,968	117,194,284	—	1,351,736
1986-90	5,924,528	77,028,333	—	611,157
1991-95	5,592,528	32,036,978	—	242,447
Thereafter ...	4,070,984	5,974,887	—	—

The present value of the net minimum lease commitments for "financing" leases amounted to $13,392,382 as of December 31, 1975 ($13,609,174—December 31, 1974). The interest rates used to calculate such present values ranged from 4.5% to 10.0% in 1975 and 1974. These rates approximate the interest rates for mortgage borrowings at the time of entering into the various leases. The weighted average interest rate based on present value approximated 7.7% in 1975 and 1974.

If all "financing" leases were capitalized and amortized on a straight-line basis, in lieu of charging rentals to earnings as incurred, the effect on net earnings would be less than 1.0% in 1975 and 1974.

(8) AGREEMENT WITH S. S. KRESGE CO.

On April 29, 1975, the Company signed an agreement with S. S. Kresge Co. (Kresge), the minority interest owner of the Company's 51%-75% owned retail subsidiaries, operating leased shoe departments in K-Mart (Kresge) stores. Under the terms of the agreement, Kresge will be increasing its ownership interest during the years 1975 through 1978 from 25% to 49%. For all leased shoe departments to be opened during the years 1975 through 1984, the Company and Kresge will participate in the investment on a 51%-49% basis, respectively. License agreements with Kresge for all leased shoe departments at December 31, 1974 were modified so as to extend the lease term from 5 to 25 years. The license agreements are contingent on performance standards based on sales and profitability. The first ten years will not be subject to such standards. There will be no change in the provision for calculating rental expense.

As a result of this Agreement, the Company redeemed the $4\frac{7}{8}\%$ Debentures due 1980 (see Note 4).

(9) PROPOSED ACQUISITION

On December 9, 1975, the Board of Directors approved an agreement in principle with the shareholders of Marshalls, Inc. to purchase all of the stock of Marshalls, Inc. and related corporations (Marshalls) for $40,000,000. The Company will pay $11,600,000 at closing and the balance in five equal annual installments bearing interest at the prime rate (but not to exceed 10%). It is anticipated that the final closing, effective February 1, 1976 will occur in April 1976. The agreement in principle is subject to certain conditions, including a requirement that Marshalls has net earnings after taxes of at least $5,000,000 for its fiscal year ended January 31, 1976, and net worth as of January 31, 1976, of at least $12,400,000. Marshalls, whose headquarters are in Woburn, Massachusetts, operates a chain of 32 specialty retail stores which sell apparel for the entire family and are located primarily in New England.

Ten Year Financial Summary

Melville Shoe Corporation and subsidiary companies

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Summary of Operations (000's Omitted)										
Net Sales	**$908,321**	$765,059	$710,545	$631,918	$556,062	$468,236	$386,030	$313,456	$258,752	$234,313
Cost of Goods Sold, Buying and Warehousing Costs	**525,471**	457,349	415,679	370,279	322,761	275,067	228,220	181,848	149,051	138,092
	382,850	307,710	294,866	261,639	233,301	193,169	157,810	131,608	109,701	96,221
Store Operating, Selling, General and Administrative Expenses	**283,800**	241,350	224,625	195,577	175,370	146,292	117,621	97,782	82,503	74,754
Depreciation and Amortization	**13,623**	12,556	10,914	9,309	7,769	5,726	4,575	3,950	3,455	3,292
Interest Charges	**1,869**	5,808	3,696	2,755	2,478	2,421	1,687	795	584	662
	299,292	259,714	239,235	207,641	185,617	154,439	123,883	102,527	86,542	78,708
	83,558	47,996	55,631	53,998	47,684	38,730	33,927	29,081	23,159	17,513
Other Income—Net	**787**	1,058	734	1,008	(40)	220	674	372	249	120
Earnings Before Federal Income Taxes and Minority Interests	**84,345**	49,054	56,365	55,006	47,644	38,950	34,601	29,453	23,408	17,633
Federal Income Taxes	**33,402**	18,823	22,676	24,002	20,497	16,261	14,343	12,192	9,103	6,574
	50,943	30,231	33,689	31,004	27,147	22,689	20,258	17,261	14,305	11,059
Minority Interests	**6,616**	3,396	3,083	2,452	2,032	1,143	633	227	—	—
Net Earnings	**44,327**	26,835	30,606	28,552	25,115	21,546	19,625	17,034	14,305	11,059
Earnings Applicable to Common Shares	**44,037**	26,526	30,279	28,204	24,754	21,165	19,229	16,625	13,866	10,599
Average Number of Common Shares Outstanding*	**24,562**	24,552	24,536	24,405	24,275	24,096	23,828	22,867	21,933	22,121
Per Share Results of Common Stock*										
Net Earnings	**$ 1.79**	$ 1.08	$ 1.23	$ 1.16	$ 1.02	$ .88	$ .81	$ .73	$ .63	$ .48
Dividends	**.48**	.46¼	.44½	.41⅗	.40	.37½	.32½	.27½	.20	.15⅝
Book Value	**8.07**	6.73	6.12	5.28	4.46	3.78	3.22	2.64	2.15	1.79
Taxes—All	**2.38**	1.60	1.70	1.65	1.38	1.11	.94	.84	.70	.54
End of Year Position (000's Omitted)										
Current Assets	**$275,740**	$206,478	$208,263	$185,008	$165,173	$127,674	$111,913	$ 91,482	$ 77,352	$ 67,275
Current Liabilities	**96,059**	59,770	74,805	64,032	62,170	56,141	43,043	32,895	26,549	20,644
Current Ratio	**2.87**	3.45	2.78	2.89	2.66	2.27	2.60	2.78	2.91	3.26
Property, Plant and Equipment (000's Omitted)										
At Cost	**$159,175**	$149,868	$136,917	$117,895	$105,816	$ 88,711	$ 73,128	$ 65,128	$ 57,451	$ 53,316
Net After Accumulated Depreciation	**80,551**	80,064	76,584	64,821	58,344	46,006	33,820	26,617	20,893	18,377
Capital Additions	**15,973**	18,071	24,286	17,785	22,383	20,073	14,736	9,059	6,409	4,945
Wages and Compensation (000's Omitted)	**$153,005**	$133,559	$129,713	$116,509	$102,859	$ 91,617	$ 78,457	$ 69,111	$ 57,279	$ 51,827
Percent to Net Sales										
Earnings Before Federal Income Taxes and Minority Interests	**9.29%**	6.41%	7.93%	8.70%	8.57%	8.32%	8.96%	9.40%	9.05%	7.53%
Net Earnings	**4.88%**	3.51%	4.31%	4.52%	4.52%	4.60%	5.08%	5.43%	5.53%	4.72%
Percent Net Earnings to Shareholders' Equity	**25.57%**	16.96%	22.23%	24.30%	24.92%	24.78%	27.79%	29.44%	28.23%	24.24%
Number of Stores	**2,906**	2,766	2,590	2,417	2,240	1,973	1,666	1,510	1,366	1,314

*Adjusted to reflect two-for-one stock split on April 10, 1968, April 14, 1970, and April 11, 1972.

Management's Discussion and Analysis of the Consolidated Summary of Operations

1975 vs. 1974

Net Sales in 1975 increased 18.7% or $143.3 million, over 1974 due to same store sales increases of 11.5% and an increase of 5.1% in the number of stores.

Cost of Goods Sold, Buying and Warehousing Costs in 1975 increased $68.1 million over 1974 but decreased as a percentage of sales primarily due to the combined favorable impact of a higher initial markon percentage and a lower markdown percentage. Store Operating, Selling, General and Administrative Expenses increased $42.4 million in 1975 but decreased as a percentage of sales.

Interest Charges decreased $3.9 million in 1975 principally due to reduced short-term borrowings as well as reduced interest rates.

Earnings Before Federal Income Taxes and Minority Interests increased $35.3 million in 1975 over 1974. This increase was due to improvement in all of the Company's businesses—footwear, apparel and health and beauty aids.

Federal Income Taxes increased $14.6 million in 1975 primarily due to the increase in pre-tax earnings.

In 1975, Minority Interests increased $3.2 million as a result of increased profitability of the related operations, as well as the change in Minority Interests discussed in Note 8 of the Notes to Consolidated Financial Statements.

1974 vs. 1973

In 1974, Net Sales increased $54.5 million, or 7.7% over the 1973 level. Same store sales showed a nominal increase while the number of stores showed a 6.8% increase over 1973.

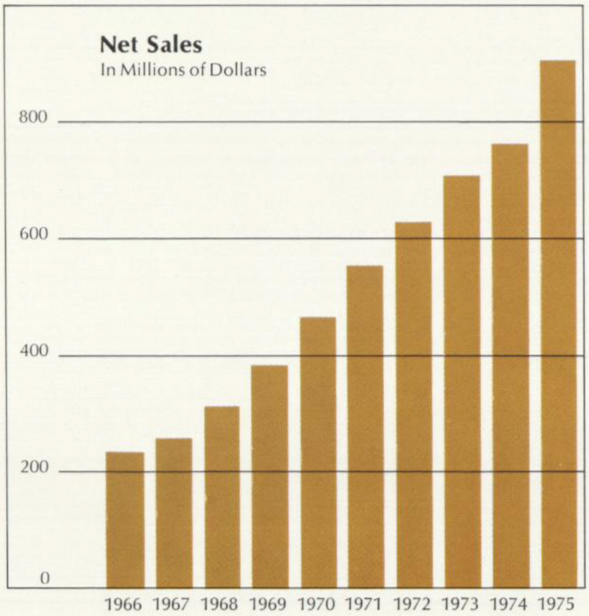
Cost of Goods Sold, Buying and Warehousing Costs in 1974 increased $41.7 million, and also increased as a percentage of sales over 1973 due primarily to greater markdowns taken as a result of more promotions and the reduction of inventory levels. While Store Operating, Selling, General and Administrative Expenses were $16.7 million more than in 1973, the percentage to sales remained the same.

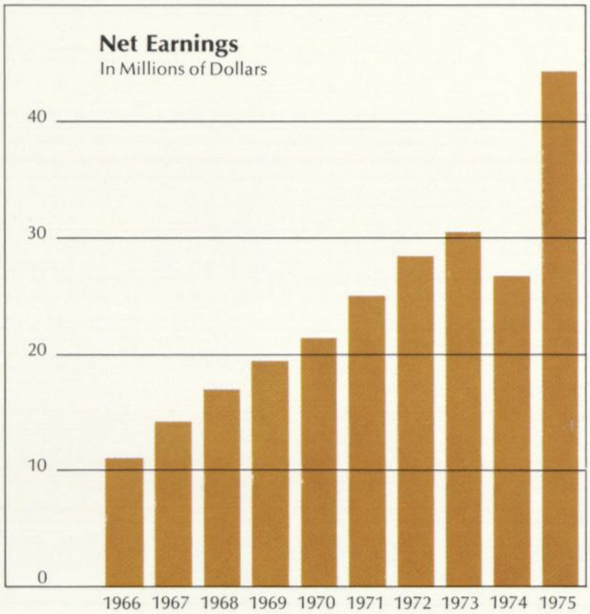
Depreciation and Amortization increased $1.6 million in 1974 principally as a result of the number of new stores and increased construction costs.

Interest Charges increased $2.1 million in 1974 due to increased short-term borrowings and higher interest rates.

Earnings Before Federal Income Taxes and Minority Interests decreased $7.3 million in 1974 from the prior year. The major reduction in profitability was attributable to the men's apparel divisions as well as shoe manufacturing.

Federal Income Taxes for 1974 were $3.9 million lower than 1973 as a result of the reduction in earnings before taxes.





Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
345 Park Avenue
New York, New York 10022

To the Board of Directors
and Shareholders
Melville Shoe Corporation:

We have examined the consolidated balance sheets of Melville Shoe Corporation and subsidiary companies as of December 31, 1975 and 1974, and the related statements of earnings, shareholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1975 and 1974, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

February 19, 1976

Peat, Marwick, Mitchell + Co.

Directors and Officers

Melville Shoe Corporation, 3000 Westchester Avenue, Harrison, New York 10528

Directors

WARD MELVILLE
Chairman of the Board of the Corporation

HYMAN L. BATTLE, JR.
Partner in law firm of Battle, Fowler, Lidstone, Jaffin, Pierce & Kheel

CHESTER BAYLIS, JR.*
A Director of Bankers Trust New York Corporation and various other corporations

KENNETH K. BERLAND
Senior Vice President of the Corporation—Finance and Administration

LEIGHTON H. COLEMAN
Partner in law firm of Davis Polk & Wardwell

ROBERT C. ERB
Retired; former President of the Corporation

EDWARD S. FITZGIBBONS
Senior Vice President of the Corporation—Thom McAn & Footwear Manufacturing Group

FRANCIS H. GLEASON
Retired; former Senior Vice President of the Corporation

ROBERT C. KUHN
Vice President of the Corporation and President of the Meldisco Division

DONALD F. McCULLOUGH
Chairman of the Board and Chief Executive Officer of Collins & Aikman Corporation, a producer of textiles and wall coverings

ROBERT McDONALD*
President of Anderson Clayton Foods, food processors and distributors

LAWRENCE E. McGOURTY
Vice President of the Corporation and President of the Thom McAn Shoe Company Division

FRANK MELVILLE*
President of The History Book Club, Inc., book distributors

FRANCIS C. ROONEY, JR.
President and Chief Executive Officer of the Corporation

MURRAY M. ROSENBERG
Chairman of the Executive Committee of the Corporation

RICHARD E. WEST
Vice President of the Corporation and President of the J. F. McElwain, Blue Ridge and Miller Shoe Divisions

Executive Committee

MURRAY M. ROSENBERG
Chairman

KENNETH K. BERLAND
LEIGHTON H. COLEMAN
EDWARD S. FITZGIBBONS
FRANK MELVILLE
WARD MELVILLE
FRANCIS C. ROONEY, JR.

Officers

WARD MELVILLE
Chairman of the Board

FRANCIS C. ROONEY, JR.
President and Chief Executive Officer

KENNETH K. BERLAND
Senior Vice President—Finance and Treasurer

EDWARD S. FITZGIBBONS
Senior Vice President

Vice Presidents

STANLEY P. GOLDSTEIN
HARRY GREENBERG
HANS HOMBURGER
ROBERT C. KUHN
LAWRENCE E. McGOURTY
JOHN F. RIEFLER, JR.
RICHARD E. WEST

EDWARD J. SEWARD
Controller

THOMAS S. ROTHWELL
Secretary

JOSEPH T. HOPKINS, JR.
Assistant Secretary

GILBERT G. KEMNITZ
Assistant Secretary

ARTHUR V. RICHARDS
Assistant Secretary

GILBERT LEWIN
Assistant Treasurer

JOHN J. RADEMAKER
Assistant Treasurer

*Member of the Audit Committee of the Board of Directors of the Corporation

Annual Meeting of Shareholders will be held at Melville Corporate Headquarters
3000 Westchester Avenue, Harrison, New York, at 10 a.m., April 13, 1976

Divisions

RETAIL

Thom McAn Shoe Company
67 Millbrook Street
Worcester, Mass. 01606
LAWRENCE E. McGOURTY
President
Vice Presidents
J. RICHARD NEDDER
General Manager
THOMAS BARRETTE
JAMES F. BARRY
PHILIP L. CARSON
EUGENE T. FOLEY
JOHN J. GLEESON
DENNIS J. HENNESSY
NORMAN G. MEHRINGER
JOSE PALACIOS
JOHN J. RADEMAKER
Controller
WILLIAM YEAGER

Meldisco
Continental Plaza
401 Hackensack Avenue
Hackensack, N.J. 07601
ROBERT C. KUHN
President
Vice Presidents
JACK ENTEL
General Manager
ERNEST OSOROWITZ
Controller
IRA H. PETERMAN
ARNOLD B. POMERANTZ
MORRIS SALTIEL
HARVEY A. SCHAFLER
ELLIOTT SCHWARTZ
HENRY WANSING
JOHN F. WARD

Miles Shoes
1001 Southbridge Street
Worcester, Mass. 01610
HERBERT A. COHEN
President
JAMES M. ROYCE, JR.
Vice President
CHARLES R. CUMELLO
Controller

Chess King
44 Hammond Street
Worcester, Mass. 01610
MICHAEL J. BOYLE
President
Vice Presidents
ROBERT L. B. BRAIS
MICHAEL FRIEDHEIM
H. CONRAD JOHNSON
ROBERT R. WEAVER
BERNARD K. WHOOLERY
Controller

Foxmoor
393 Manley Street
West Bridgewater,
Mass. 02319
HARRY GREENBERG
President
Vice Presidents
WILLIAM S. ALMON
MICHAEL J. CARLO
BARRY GERTSMAN
SHERWIN E. HOLLANDER
STEPHEN L. JACOBS
JAMES M. RIZZO
WESLEY D. WRIGHT
Controller

Consumer Value Stores
400 Founders Drive
Woonsocket, R.I. 02895
STANLEY P. GOLDSTEIN
President
SIDNEY S. GOLDSTEIN
Executive Vice President
WILLIAM B. KONAR
Senior Vice President
Vice Presidents
DAVID V. FERRON
KEVIN HUGHES
DAVID R. JONSON
Controller
TROY KETCHUM
HARVEY ROSENTHAL

Vanguard Ltd.
67 Millbrook Street
Worcester, Mass. 01606
KEVIT R. COOK
President
ARNOLD P. CASAMENTI
Vice President
JOHN J. RADEMAKER
Controller

MANUFACTURING

J. F. McElwain Company
12 Murphy Drive
Nashua, N.H. 03060
RICHARD E. WEST
President
Vice Presidents
D. JOHN GRASSO
Controller
J. RICHARD BURNS
JOHN R. DeWITT
DUANE GRISHAM
A. BYRON MANSFIELD
JOSEPH L. PIOTROWSKI
RICHARD WICKER
GORDON J. WILSON

Blue Ridge Shoe Company
Spring Street and River Road
Wilkesboro, N.C. 28697
RICHARD E. WEST
President
Vice Presidents
JOHN R. DeWITT
General Manager
D. JOHN GRASSO
Controller
ROGER S. McGRADY

Miller Shoes
385 Central Avenue
Dover, N.H. 03820
RICHARD E. WEST
President
Vice Presidents
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390 Fifth Avenue
New York, N.Y. 10018
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Controller

Thom McAn Canada
34 Meridian Road
Rexdale, Ontario, Canada
JOHN F. RIEFLER, JR.
President

Melville (Europe) Purchasing Ltd.
2 Via Guido Monaco
Florence, Italy 50144
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President
GIORGIO MALAVOLTI
Vice President

Calzados Manuel Reig, S.A.
Avenida de Jose Antonio 170
Villena, Spain
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President
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Vice President

REAL ESTATE

Melville Realty Company, Inc.
3000 Westchester Avenue
Harrison, N.Y. 10528
JERALD M. DICK
President
Vice Presidents
ARTHUR V. RICHARDS
NAT WEINER
JOHN J. RADEMAKER
Treasurer
JOSEPH T. HOPKINS, JR.
Secretary

Counsel:
Davis Polk & Wardwell
1 Chase Manhattan Plaza
New York, N.Y. 10005

Auditors:
Peat, Marwick, Mitchell & Co.
345 Park Avenue
New York, N.Y. 10022

Transfer Agent:
Irving Trust Company
1 Wall Street
New York, N.Y. 10015

Registrar:
First National City Bank
111 Wall Street
New York, N.Y. 10015

Form 10-K, filed with the Securities and Exchange Commission, is available without charge upon written request. Requests should be mailed to Melville Corporate Headquarters, attention of Thomas S. Rothwell, Secretary.

Melville Shoe Corporation is listed on the New York Stock Exchange. Its trading symbol is MES.